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SEPTEMBER 29, 1986

CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

EXCLUSIVITY DEBATE HEATS UP WITH BLAST FROM FUCHS

FOCUS ON EDP: SOFTWARE SOPHISTICATION IS KEY

DANIELS REPORT PUTS CABLE ECONOMIC IMPACT AT $25 BILLION

HARDWARE SUPPORT PART OF SEARCH FOR PPV SOLUTIONS

THE DISCOVERY CHANNEL BUILDING MOMENTUM AFTER ROUGH BEGINNINGS

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FRONTLINE

The exclusivity debate 12
Showtime's gamble on exclusivity is stirring reactions ranging from out-and-out condemnation on the part of HBO Chairman Michael Fuchs to tentative support among some operators and tentative opposition among others. Across the board, the hope is that the effort will not result in higher costs with little gained.

National Cable Month 17
Next April will see programmers stacking their schedules with cable-exclusive programming and operators joining in the national effort to highlight cable without some of the constraints associated with previous national cable promotion campaigns.

Progress in PPV 20
A number of developments signal PPV partisans are remaining flexible in their efforts to overcome obstacles to rapid growth of the new services.

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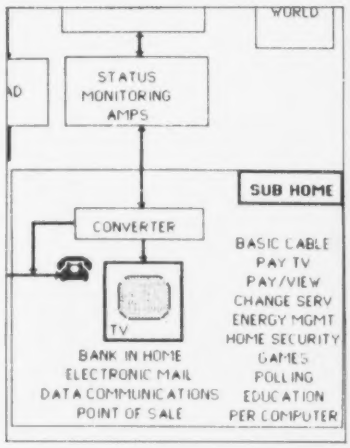

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Billing vendors have come up with a variety of software programs designed to make maximum use of micro computers in all phases of system operations.

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The Discovery Channel's mix of science, nature and history programming fare is winning wide praise, but it has only been lately that the shape of a business plan with long-term staying power has come into focus. Now that momentum is building, the name of the game is "more advertising."

Pay Per View Supply Chart

A listing of movies and events entering PPV distribution over the next two months.

November

Down and Out In Beverly Hills (11/12) — Source: Disney
MPAA Rating: R Running Time: 108 mins.
Cast: Nick Nolte, Richard Dreyfuss, Bette Midler

Dream Lover (11/6) — Source: MGM/UA
MPAA Rating: R Running Time: 104 mins.
Cast: Christie McNichols, Ben Masters, Paul Shenar

Emmanuelle IV (11/6) — Source: Cannon
MPAA Rating: R Running Time: 90 mins.
Cast: Sylvia Krystal, Mia Nygren, Deborah Power

Jo Jo Dancer, Your Life Is Calling (11/1) — Source: Columbia
MPAA Rating: R Running Time: 99 mins.
Cast: Richard Pryor, Debbie Allen, Art Evans, Fay Hauser

Just Between Friends (11/19) — Source: Orion
MPAA Rating: PG-13 Running Time: 110 mins.
Cast: Mary Tyler Moore, Christine Lahti, Sam Waterston, Ted Danson

Running Mates (11/23) — Source: HBO Enterprises
MPAA Rating: PG Running Time: 96 mins.
Cast: Barbara Howard, Gregg Webb

Salvadore (11/15) — Source: HBO Enterprises
MPAA Rating: R Running Time: 123 mins.
Cast: James Woods, Jim Belushi, John Savage

The Money Pit (11/1) — Source: Universal
MPAA Rating: PG Running Time: 91 mins.
Cast: Tom Hanks, Shelly Long, Alexander Gudonov, Maureen Stapleton

Violets Are Blue (11/1) — Source: Columbia
MPAA Rating: PG-13 Running Time: 86 mins.
Cast: Cissy Spacek, Kevin Kline, Bonnie Bedelia

Wildcats (11/17) — Source: Warner Bros.
MPAA Rating: R Running Time: 105 mins.
Cast: Goldie Hawn, Swoosie Kurtz, James Keach, Nipsey Russell

Wise Guys (11/1) — Source: MGM
MPAA Rating: R Running Time: 91 mins.
Cast: Danny DeVito, Joe Piscapo, Harvey Keitel

December

At Close Range (12/15) — Source: HBO Enterprises
MPAA Rating: R Running Time: 111 mins.
Cast: Sean Penn, Christopher Walken, Mary Stuart Masterson

Blue City (12/3) — Source: Paramount
MPAA Rating: R Running Time: 83 mins.
Cast: Judd Nelson, Ally Sheedy

Cobra (12/31) — Source: Warner Bros.
MPAA Rating: R Running Time: 87 mins.
Cast: Sylvester Stallone, Brigitte Nielsen, Reni Santoni, Andrew Robinson.

Dead End Drive-In (12/14) — Source: HBO Enterprises
MPAA Rating: R Running Time: 92 mins.
Cast: Ned Manning, Natalie Curry, Peter Whitford

Desert Bloom (12/1) — Source: Columbia
MPAA Rating: PG Running Time: 106 mins.
Cast: Jobeth Williams, John Voigt

Fire With Fire (12/3) — Source: Paramount
MPAA Rating: PG-13 Running Time: 104 mins.
Cast: Craig Sheffer, Virginia Madsen, Kate Reid

Legend (12/1) — Source: Universal
MPAA Rating: PG Running Time: 89 mins.
Cast: Tom Cruise, Mia Sara, Tim Curry

Making Contact (12/18) — Source: HBO Enterprises
MPAA Rating: PG Running Time: 88 mins.
Cast: Joshua Morrell, Eva Kryll, Tammy Shields

Police Academy 3: Back In Training (12/29) — Source: Warner Bros.
MPAA Rating: PG Running Time: 84 mins.
Cast: Steve Guttenberg, Bubba Smith, Tim Kazurinsky, Michael Winslow

Poltergeist II (12/1) — Source: United Artists
MPAA Rating: PG Running Time: 90 mins.
Cast: Jobeth Williams, Craig T. Nelson, Heather O'Rourke

Short Circuit (12/1) — Source: Tri-Star
MPAA Rating: PG Running Time: 99 mins.
Cast: Ally Sheedy, Steve Guttenberg, Fisher Stevens

Sweet Liberty (12/1) — Source: Universal
MPAA Rating: PG Running Time: 107 mins.
Cast: Allen Alda, Michael Caine, Michelle Pfeiffer

Vamp (12/1) — Source: HBO Enterprises
MPAA Rating: R Running Time: 91 mins.
Cast: Grace Jones, Gedde Wattanabe, Chris Makepeace

Note: Film information provided to International Thomson Communications Inc. by distributors.

NR indicates film not rated by MPAA.

Pay Per View Services Profile

Service:	Cable Video Store	Request Television	Telstar Channels	Viewer's Choice
Launch:	April 1, 1986	November 27, 1985	June 5, 1986	November 26, 1985
Delivery:	Satcom 4, transponder 16	Galaxy 1, transponder 12	Interrum standalone, presently testing on Telstar 303	VC-1 Satcom 3R, transponder 5 VC-2 Galaxy 1, transponder 16
Encryption:	M/A-COM VideoCipher II	M/A-COM VideoCipher II	Presently testing General Instrument Starloc IV	M/A-COM VideoCipher II
Programming:	All movies, 24 hours per day. 50-60 titles per month.	Two to four major motion pictures per week, special events	Channels 1&2: two major motion pictures on biweekly rotation, Channel 3: three major motion pictures per week, special events	One major motion picture per week, special events
Subscribers:	Field trial basis; currently serving 10 MSO's nationwide. (2,500 + Impulse addressable subscribers)	Available in systems serving 1.8 million subs (1.3 million addressable)	Available in systems serving 74,000 subs (11,500 addressable).	Available in systems serving 1.8 million subs (1.2 million addressable)

Daniels study sets cable portion of U.S. economy at $25 billion

By John Wolfe

The cable television industry accounted for two percent of the new jobs generated by the national economy during the past six years and contributed approximately $25 billion to the nation's Gross National Product, according to "Impact '86," a new study detailing the impact of the cable industry on the nation's economy.

The study, commissioned by Daniels & Associates' Chairman Bill Daniels, represents the first comprehensive measurement of the extent to which the industry's explosive growth has impacted the national economic picture in terms of jobs, personal income and related economic activity. The report was prepared by Browne, Bortz & Coddington Inc., the Denver-based economic research firm.

"It's been frustrating when someone asks me to detail our industry's economic impact," said Daniels, who presented the report to the National Cable Television Association's board of directors Sept. 18 during their meeting in Washington, D.C. "I've inherently known that we've made a significant contribution to our country with jobs, personal income and the flow of money into other sectors," he said. "But we haven't had the facts to back it up."

Daniels said he funded the research project as a "gift" to those "involved with our industry."

The cable industry, according to the report, "has witnessed explosive growth during the 1980's," doubling the number of subscribers and tripling its revenues from 1980 to 1986. "As a direct result of this growth," the report claimed, "cable has emerged as a major player in the communications industry and as a significant contributor to the overall strength of the national economy."

According to the report, industry revenues increased from $2.9 billion in 1980 to $9.6 billion in 1985—a compounded annual growth rate of 27 percent, compared to an 8.7 annual increase for the Gross National Product. The report notes that although all media and communications industries have grown rapidly during the 1980's, "cable is the star performer." Cable's 27 percent revenue growth surpasses rates of 15 percent or less for the broadcast television, motion picture, newspaper, telephone, radio and periodicals businesses, according to the study.

The report estimated that more than 200,000 new cable-related jobs were created over the past six years. "As such," the report maintained, "the cable industry was responsible for about 2 percent of the 10 million new jobs created in the American economy since 1980."

Brown, Bortz estimated that 77,000 employees current work directly for cable operators, with 94.4 percent of those employed at the system level—illustrating the "local service nature" of the industry, the report said. Another 5,100 persons are employed by operators on a contractual basis, the report said.

Although cable is becoming dominated by MSOs, the report said, the business remains "in essence, a distinctly local business" with MSOs decentralizing their operations. "From an economic standpoint," the report maintained, "this industry structure means that the economic benefits of cable are spread throughout the United States rather than being concentrated in only a few locations."

Direct cable operator employee compensation, including benefits, was estimated at $1.82 billion for 1986, which corresponds to approximately 18 percent of revenues and 28 percent of operating expenses, according to the report.

Suppliers linked to the cable industry will receive nearly $6 billion for cable activities in 1986, the study predicted. Construction contractors will receive $350 million and employ 5,000 persons for cable-related jobs; the manufacturing industry (primarily equipment vendors) will get $1.16 billion and employ 12,200; the utility and transportation industry will receive $425 million and employ 4,800; and the wholesale and retail trade industry will get $200 million and employ 4,100.

The report also predicted that revenues to the finance, insurance and real-estate sector will garner about $380 million in fee revenues in 1986; in addition, cable operators are projected to pay $1.4 billion in interest on loans during the year. Cable-related employment in that sector was expected to be 3,700 persons.

According to the report, purchases from program suppliers rank right behind direct employee compensation as

Table 1

Summary of Direct and Linked Employment and Employee Compensation in the Cable Television Industry, 1986

Impacts by Economic Sector

Sector	Employment	Total Employee Compensation* (Millions)
Manufacturing	12,200	$ 480
Contract Construction	5,000	110
Transportation, Communications and Public Utilities	90,400	2,170
Retail and Wholesale Trade	4,100	80
Finance, Insurance and Real Estate	3,700	120
Services	18,800	330
Total	134,200	$3,290

*Total employee compensation includes wage and salary disbursements, employee benefits and payroll taxes paid by both employee and employer.

cable operators' greatest expenses. Brown, Bortz estimated that total program service revenues directly linked with the cable industry will approximate $2.4 billion in 1986, with $1.4 billion of that going to premium program suppliers (including regional pay sports services and pay-per-view).

Basic and premium programmers will employ 8,200 persons in 1986, paying them approximately $250 million in compensation, the report said.

The report also found that the cable industry is a major supporter of the motion picture industry. According to the study, the total cost of product purchased from the motion picture studios and other members of the production community by cable programmers will near $1 billion in 1986. About 60 percent of that figure will be to premium programmers for theatrical product.

Total direct and linked employment in the cable industry will total 134,200 this year, with an aggregate compensation of $3.29 billion, the report said. Moreover, when combined with indirect economic impacts—such as economic activity generated by the purchase of goods and services by firms dependent on the cable industry—the aggregate number of employees rises to 441,000, with a total income of $11.5 billion. Those figures translate to approximately one-half of 1 percent of total U.S. employment and income, the report maintained.

"In spite of tremendous opposition in the early years of our existence, cable television has clearly emerged as a strong national resource," Daniels claimed. "We're one of those 'clean' industries sought by communities," he added, "and virtually every community receives positive economic benefits from cable."

'In spite of tremendous opposition in the early years of our existence, cable television has clearly emerged as a strong national resource.'

—Bill Daniels

This Announcement Appears As a Matter of Record Only.

July 31, 1986

Nortel Cable Associates, Limited Partnership

(An Affiliate of Countryside Cable, Inc.)

$ 3,000,000	Revolving Credit
15,500,000	Senior Secured Notes
3,000,000	Subordinated Notes
5,000,000	Limited Partnership Units

For the Acquisition of the Cable Systems Serving the Minneapolis Suburbs of Bloomington, St. Louis Park and Fridley, Minnesota.

The Undersigned Arranged This Financing.

Cable Investments, Inc.

8400 East Prentice Avenue Suite 1115
Englewood, Colorado 80111
(303) 793-3344

Cable services subscriber count

Satellite-fed national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	225	4,000,000
Alternate View Network	196	2,117,519
American Music & Entertainment Network	26	500,000
Arts & Entertainment (A&E)	2,200	19,700,000
Black Entertainment Television (BET)	590	13,015,183
Cable News Network (CNN)	9,386	33,100,000
Cable Value Network	20	200,000
C-SPAN	2,250	25,250,000
C-SPAN II	264	7,500,000
CBN Cable Network	7,188	31,000,000
CNN	9,561	33,501.00
Consumer Discount Network	NA	NA
Country Music Television	425	6,200,000
The Discovery Channel	952	8,580,299
ESPN	13,878	36,900,000
Eternal Word Television Network (EWTN)	314	4,800,000
Financial News Network (FNN)	1,360	22,300,000
Headline News	3,157	18,039,000
Hit Video USA	41	1,700,000
Home Shopping Network	324	8,000,000
Innovations In Living (HSN2)	15	2,000,000
International Television Network	5	622,000
The Learning Channel	760	6,841,455
Liberty Broadcasting Network	90	1,300,000
Lifetime	2,987	25,800,000
Music Television (MTV)	4,269	30,700,000
The Nashville Network	3,770	26,600,000
National Jewish Television (NJTV)	247	5,569,000
Nickelodeon	4,501	29,000,000
PTL The Inspirational Network	1,300	13,000,000
Prateo	NA	NA
Rock Christian Network	9	886,000
Silent Network	206	6,800,000
SIN Television Network	383	33,673,300
Tempo Television	640	12,000,000
Trinity Broadcasting Network	433	6,210,000
USA Network	6,500	33,000,000
Video Hits One	1,189	14,100,000
Video Shopping Mall	NA	NA
The Weather Channel	2,100	20,500,000
WGN-TV	8,325	20,906,000
WOR-TV	1,877	8,430,680
WPIX-TV	227	2,400,000
WTBS-TV	10,790	36,078,000
Pay services		
American Extasy	6	60,000
American Movie Classics	258	710,000
Bravo	240	360,000
Cinemax	3,300	3,700,000
The Disney Channel	2,958	2,550,000
GalaVision	234	183,000
Home Box Office (HBO)	6,900	14,600,000
Home Theater Network (HTN)	350	300,000
Showtime	3,200	5,400,000
The Movie Channel	3,250	3,250,000
The Nostalgia Channel	125	350,000
The Playboy Channel	580	732,000
Private Ticket	4	NA
Audio services		
Cable Radio Network	21	1,300,000
KKGO Super Jazz	11	98,521
Lifestyle	147	2,600,368
Lifestyle AC	15	679,936
Moody Bible Institute	66	890,968
Satellite Radio Network	251	740,000
Studioline	NA	NA
Tempo Sound	300	1,000,000
WFMT Chicago	162	1,287,000
Text services		
AP News Cable	275	3,600,000
AP News Plus	60	1,500,000
Cable SportsTracker	22	1,951,000
DBC/MarketWatch	50	NA
Electronic Program Guide (EPG)	275	5,496,000
EPG Jr.	61	60,743
Genesis Cable Storytime	26	1,033,000
Reuters News View	325	3,250,000
TV Decisions	120	3,420,000
UPI Data Cable	450	4,000,000
X*Press	60	1,000

Non-satellite-fed services

Bicycled services	Affiliates	Subscribers
Cable Auto Showcase	5	400,000
Fuji Network	5	11,044
Nippon Golden Network	5	11,044
Vector Consumer News	12	325,000
Vector Consumer Shopping Guide	15	407,000

Regional entertainment services

Basic services	Affiliates	Subscribers
Atlanta Interfaith	7	150,000
Bay Area Religious Channel (BARC)	6	113,000
Buffalo Sabres Hockey	9	400,000
Cable TV Network of New Jersey	37	1,185,000
The Ecumenical Channel	7	148,000
KTVT	109	1,804,000
Life Newsvision	24	36,000
Madison Square Garden	67	1,900,000
Meadows Racing Network	14	446,000
MetroChannel	1	118,000
Prime Ticket	46	1,300,000
SportsVision (Chicago)	37	490,000
Texas Cable Network	15	646,000
Pay services		
Dodgervision	44	935,000
Home Sports Entertainment—Houston/Dallas	105	190,000
Home Team Sports	74	327,000
New England Sports Network	130	121,858
PRISM-Philadelphia	91	370,000
Pro-Am Sports	107	106,000
SportsChannel (New England)	110	235,000
SportsChannel (New York)	60	508,000
Z Channel	21	95,000

Announced services

Satellite-fed services	Expected Launch
America's Shopping Channel	4th Quarter 1986
American Family Network	10/86
American Shopping Channel (Consolidated/ASC)	10/86
American Wholesale Network	10/86
Apollo Entertainment Television	TBA
The Book Channel	TBA
The BuenaVision Channel	TBA
Cable Shopper's Network (Jewelcor)	4th Quarter 1986
Comedy Television	4th Quarter 1986
Crazy Eddie World Of Home Entertainment Shopping Network	11/86
Discovery Computer Network	1987
Discovery Financial Network	4th Quarter 1986
El Canal Musical	TBA
Ethnic Radio Networks	4th Quarter 1986
EventTelevision	4th Quarter 1986
International Business Network	4th Quarter 1986
Let's Go Shopping Network	4th Quarter 1986
Magicable	TBA
Movie Time	1st Quarter 1987
The Preview Network (Cable Promotion Network)	12/86
QVC Network	1/87
Shop-At-Home Channel	10/86
Sky Merchant	1/87
Sofcast/National Digital Network	4th Quarter 1986
The Travel Network	4th Quarter 1986
Tunnelvision	4/87

Note: Figures for affiliate and subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Attention Cable Stats, P.O. Box 5208-T.A., Denver, CO 80217.
NA denotes not available.
TBA denotes to be announced.